



General Assembly

**Bill No. 6514**

January Session, 2021

LCO No. 4004



Referred to Committee on No Committee

Introduced by:

REP. RITTER M., 1<sup>st</sup> Dist.

SEN. LOONEY, 11<sup>th</sup> Dist.

REP. ROJAS, 9<sup>th</sup> Dist.

SEN. DUFF, 25<sup>th</sup> Dist.

***AN ACT CONCERNING INCENTIVES FOR QUALIFIED DATA CENTERS TO LOCATE IN THE STATE.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective July 1, 2021*) (a) As used in this section:
- 2 (1) "Colocation tenant" means a person that contracts with the owner
- 3 or operator of a qualified data center to use or occupy all or part of a
- 4 qualified data center for a period of at least two years;
- 5 (2) "Eligible qualified data center costs" means expenditures made on
- 6 or after July 1, 2021, for the development, acquisition, construction,
- 7 rehabilitation, renovation, repair or operation of a facility to be used as
- 8 a qualified data center, including the cost of land, buildings, site
- 9 improvements, modular data centers, lease payments, site
- 10 characterization and assessment, engineering services, design services
- 11 and data center equipment acquisition and permitting related to such

12 data center equipment acquisitions. "Eligible qualified data center costs"  
13 does not include expenditures made in connection with real or personal  
14 property that is located outside the boundaries of the facility to be used  
15 as a qualified data center;

16 (3) "Enterprise information technology equipment" means:

17 (A) Hardware that support computing, networking or data storage  
18 functions, including servers and routers;

19 (B) Networking systems equipment that support computing,  
20 networking or data storage functions and have an industry designation  
21 as equipment within the enterprise class or data center class of  
22 networking systems; and

23 (C) Generators and other equipment used to ensure an uninterrupted  
24 power supply for the hardware and networking systems equipment  
25 under subparagraph (A) or (B) of this subdivision;

26 (4) "Facility" means one or more contiguous tracts of land in the state  
27 and any structure and personal property contained on such land;

28 (5) "Operator" means a person that contracts with the owner of a  
29 qualified data center to operate such qualified data center;

30 (6) "Owner" means a person that holds a leasehold estate in excess of  
31 fifty years or a fee title to a facility;

32 (7) "Person" means an individual, an estate, a trust, a receiver, a  
33 cooperative association, a corporation, a company, a firm, a partnership,  
34 a limited partnership, a limited liability company, a limited liability  
35 partnership or a joint venture;

36 (8) "Qualified data center" means a facility that is developed,  
37 acquired, constructed, rehabilitated, renovated, repaired or operated, to  
38 house a group of networked computer servers in one physical location  
39 or multiple contiguous locations to centralize the storage, management

40 and dissemination of data and information pertaining to a particular  
41 business or classification or body of knowledge;

42 (9) "Qualified data center equipment" means computer equipment,  
43 software and hardware purchased or leased for the processing, storage,  
44 retrieval or communication of data, including:

45 (A) Computer servers, routers, connections, chassis, networking  
46 equipment, switches, racks, fiber optic and copper cables, trays,  
47 conduits and other enabling machinery, equipment and hardware,  
48 regardless of whether such personal property is affixed to or  
49 incorporated into real property;

50 (B) Equipment used in the operation of computer equipment or  
51 software for the benefit of a qualified data center, including component  
52 parts, replacement parts and upgrades, regardless of whether the  
53 personal property is affixed to or incorporated into real property;

54 (C) Equipment necessary for the transformation, generation,  
55 distribution or management of electricity that is required to operate  
56 computer servers and related equipment, including substations,  
57 generators, uninterruptible energy equipment, supplies, conduits, fuel  
58 piping and storage, cabling, duct banks, switches, switchboards,  
59 batteries and testing equipment;

60 (D) Equipment necessary to cool and maintain a controlled  
61 environment for the operation of computer servers and other equipment  
62 of a qualified data center, including chillers, mechanical equipment,  
63 refrigerant piping, fuel piping and storage, adiabatic and free cooling  
64 systems, cooling towers, water softeners, air handling units, indoor  
65 direct exchange units, fans, ducting and filters;

66 (E) Water conservation systems, including equipment designed to  
67 collect, conserve and reuse water;

68 (F) Conduit, ducting and fiber optic and copper cables located

69 outside the qualified data center, that are directly related to connecting  
70 one or more qualified data center locations;

71 (G) Monitoring equipment and security systems;

72 (H) Modular data centers and preassembled components of any item  
73 described in this subsection, including components used in the  
74 manufacturing of modular data centers; and

75 (I) Any other personal property, exclusive of motor vehicles, that is  
76 essential to the operations of a qualified data center or that is acquired  
77 for incorporation into or used or consumed in the operation of the  
78 qualified data center; and

79 (10) "Qualified investment" means the aggregate, nonduplicative  
80 eligible qualified data center costs expended by an owner, operator and  
81 colocation tenant of a qualified data center.

82 (b) Any person that anticipates it will own, operate or be a colocation  
83 tenant in a qualified data center in this state may apply to the  
84 Commissioner of Economic and Community Development to enter into  
85 an agreement in accordance with the provisions of subsection (c) of this  
86 section, for exemption from the taxes imposed under chapters 203 and  
87 219 of the general statutes as set forth in subsections (d) and (e) of this  
88 section.

89 (c) (1) Any person described in subsection (b) of this section that seeks  
90 an exemption under subsection (b) of this section shall submit an  
91 application to the Commissioner of Economic and Community  
92 Development, in a manner and form prescribed by the commissioner. If  
93 the commissioner approves such application, the commissioner shall  
94 enter into an agreement with such person, provided such person  
95 demonstrates to the satisfaction of the commissioner that:

96 (A) The facility to be developed, acquired, constructed, rehabilitated,  
97 renovated, repaired or operated will be used as a qualified data center;

98 and

99 (B) The qualified data center will make, on or before the fifth  
100 anniversary of the date an agreement entered into pursuant to this  
101 section becomes effective, a qualified investment of at least (i) fifty  
102 million dollars if such qualified data center is located in an enterprise  
103 zone designated pursuant to section 32-70 of the general statutes or a  
104 federal qualified opportunity zone designated pursuant to the Tax Cuts  
105 and Jobs Act of 2017, P.L. 115-97, as amended from time to time, or (ii)  
106 two hundred million dollars if such qualified data center is not located  
107 in an enterprise zone or a federal qualified opportunity zone.

108 (2) Any agreement entered into pursuant to this subsection shall:

109 (A) Be for a period of twenty years, unless extended under the  
110 provisions of subdivision (3) of this subsection, from the date an  
111 agreement entered into pursuant to this section becomes effective,  
112 which may be in the year in which the construction, rehabilitation,  
113 renovation or repair of a qualified data center commences;

114 (B) Include a five-year qualifying period, from the date an agreement  
115 entered into pursuant to this section becomes effective, for the  
116 applicable qualified investment amount set forth in subparagraph (B) of  
117 subdivision (1) of this subsection to be reached;

118 (C) Include the payment of an annual fee by the qualified data center,  
119 to be determined annually by the commissioner and not to exceed fifty  
120 thousand dollars, for the administrative and operational costs of the  
121 Office of Data Infrastructure Administration and Security established  
122 under subdivision (5) of this subsection. Such fee shall be paid by the  
123 qualified data center to the commissioner during each year of such  
124 qualifying period or until the applicable qualified investment amount  
125 set forth in subparagraph (B) of subdivision (1) of this subsection is  
126 reached, whichever is sooner;

127 (D) Include a detailed description of the capital project that is the

128 subject of the agreement;

129 (E) Provide that the provisions of the agreement shall be applicable,  
130 within the time period such agreement is effective and for the remaining  
131 duration of such time period, to any (i) subsequent owner of the  
132 qualified data center, (ii) operator or affiliate of the operator of the  
133 qualified data center, or (iii) colocation tenant, provided the facility  
134 continues to be used as a qualified data center; and

135 (F) Include provisions for the assessment and payment of the taxes  
136 exempted pursuant to such agreement and the rates or amounts of  
137 penalties and interest to be imposed thereon, if the commissioner  
138 determines that the requirements of the agreement or of a qualified data  
139 center are not being met or have not been met.

140 (3) If a qualified data center makes a qualified investment of at least  
141 (A) two hundred million dollars if such qualified data center is located  
142 in an enterprise zone designated pursuant to section 32-70 of the general  
143 statutes or a federal qualified opportunity zone designated pursuant to  
144 the Tax Cuts and Jobs Act of 2017, P.L. 115-97, as amended from time to  
145 time, or (B) four hundred million dollars if such qualified data center is  
146 not located in an enterprise zone or a federal qualified opportunity zone,  
147 the commissioner shall extend to thirty years the period for which an  
148 agreement entered into pursuant to this section is effective.

149 (4) Any qualified data center that enters into an agreement pursuant  
150 to this section and makes the applicable qualified investment amount  
151 set forth in subdivision (3) of this subsection, and any operator or  
152 affiliate of and colocation tenant of such qualified data center, shall be  
153 exempt from any financial transactions tax or fee that may be imposed  
154 by the state on trades of stocks, bonds, derivatives and other financial  
155 products. The exemption under this subdivision shall be effective for a  
156 period of thirty years from the date the construction, rehabilitation,  
157 renovation or repair of a facility is completed, as determined by the  
158 commissioner. The commissioner may incorporate the provisions of this

159 subdivision into the agreement entered into pursuant to this section or  
160 amend an existing agreement with a qualified data center to incorporate  
161 the provisions of this subdivision.

162 (5) There is established an Office of Data Infrastructure  
163 Administration and Security within the Department of Economic and  
164 Community Development. The office shall (A) serve as the liaison  
165 between applicants and qualified data centers and other state agencies,  
166 (B) provide assistance to applicants and qualified data centers from the  
167 preapplication phase to the post-operational stage, and (C) seek to  
168 ensure coordinated, efficient and timely responses to applicants and  
169 qualified data centers.

170 (d) (1) With respect to the exemption from the taxes imposed under  
171 chapter 219 of the general statutes, the Commissioner of Economic and  
172 Community Development shall notify the Commissioner of Revenue  
173 Services of any person that has entered into an agreement pursuant to  
174 this section. The Commissioner of Revenue Services shall provide to  
175 such person a certificate that exempts such person, and any contractor  
176 or subcontractor of such person, from such taxes for (A) the sale of and  
177 the storage, use or other consumption in this state of qualified data  
178 center equipment acquired for incorporation into or used and consumed  
179 in the development, acquisition, construction, rehabilitation,  
180 renovation, repair or operation of a facility that is used or to be used as  
181 a qualified data center, (B) the sale of and the acceptance, use or other  
182 consumption in this state of any service described under subdivision  
183 (37) of subsection (a) of section 12-407 of the general statutes, that is used  
184 and consumed in the development, acquisition, construction,  
185 rehabilitation, renovation, repair or operation of a facility that is used or  
186 to be used as a qualified data center, and (C) all electricity used by a  
187 qualified data center. Such person, and any contractor or subcontractor  
188 of such person, may use such certificate for the purchase, storage, use or  
189 other consumption in this state of qualified data center equipment,  
190 services and electricity as set forth in this subsection and each seller of  
191 such equipment, services or electricity may rely on such certificate.

192 (2) The certificate provided pursuant to subdivision (1) of this  
193 subsection shall apply, during the time period the agreement is  
194 effective, to:

195 (A) Any additional building or structure at a qualified data center to  
196 be developed, acquired, constructed, rehabilitated, renovated, repaired  
197 or operated, to house a group of networked computer servers,  
198 regardless of whether such development, acquisition, construction,  
199 rehabilitation, renovation, repair or operation was contemplated at the  
200 time of entering into the agreement; and

201 (B) Any additional qualified data center equipment, services and  
202 electricity acquired or used by such qualified data center after the date  
203 the agreement was entered into.

204 (e) (1) With respect to the exemption from the tax imposed under  
205 chapter 203 of the general statutes, such exemption shall apply to (A)  
206 real property, buildings or structures, located within or at a qualified  
207 data center, and (B) enterprise information technology equipment used  
208 by a qualified data center.

209 (2) The exemption under this subsection shall apply, during the time  
210 period the agreement entered into pursuant to subsection (c) of this  
211 section is effective, to:

212 (A) Any additional building or structure at a qualified data center  
213 that is developed, acquired, constructed, rehabilitated, renovated,  
214 repaired or operated, to house a group of networked computer servers,  
215 regardless of whether any such development, acquisition, construction,  
216 rehabilitation, renovation, repair or operation was contemplated at the  
217 time of entering into the agreement;

218 (B) Any additional enterprise information technology equipment  
219 used by a qualified data center that is acquired after the date the  
220 agreement was entered into; and

221 (C) Any additional facility acquired by the owner of a qualified data  
222 center for the development, construction, rehabilitation, renovation,  
223 repair or operation of a qualified data center, after the date the  
224 agreement was entered into, provided such owner enters into a  
225 negotiated host municipality fee agreement as required under  
226 subdivision (4) of this subsection for each such additional facility.

227 (3) The Commissioner of Economic and Community Development  
228 shall notify each municipality in which such facility is located of any  
229 agreement entered into pursuant to this section and shall provide the  
230 identity of the person with which the commissioner has entered into  
231 such agreement, the date such agreement is effective and the terms of  
232 the agreement with respect to the exemption from the tax imposed  
233 under chapter 203 of the general statutes.

234 (4) (A) No developer or owner shall commence construction,  
235 rehabilitation, renovation or repair of a facility that will be a qualified  
236 data center unless such owner has entered into a negotiated host  
237 municipality fee agreement with the municipality in which such facility  
238 is located. Such owner shall enter into a negotiated host municipality fee  
239 agreement for each additional facility that will be a qualified data center  
240 that such owner acquires. If a facility is located in contiguous  
241 municipalities, such owner shall enter into a negotiated host  
242 municipality fee agreement with each such municipality.

243 (B) Each negotiated host municipality fee agreement shall include  
244 provisions for the assessment and payment of the tax under chapter 203  
245 of the general statutes exempted pursuant to the agreement entered into  
246 pursuant to subsection (c) of this section, and the rates or amounts of  
247 penalties and interest to be imposed thereon, if the legislative body of  
248 the municipality in which the qualified data center is located determines  
249 that the requirements of the negotiated host municipality fee agreement  
250 are not being met or have not been met.

251 (5) The chief elected official of the municipality in which a qualified

252 data center is located shall notify the qualified data center if the  
253 legislative body of such municipality determines the requirements of a  
254 negotiated host municipality fee agreement entered into pursuant to  
255 subdivision (4) of this subsection are not being met or have not been  
256 met. The qualified data center shall cure such noncompliance not later  
257 than one hundred eighty days after the date of such notification. If the  
258 legislative body of such municipality determines the noncompliance has  
259 not been cured, the negotiated host municipality fee agreement shall be  
260 terminated.

261 (6) Upon the termination of a negotiated host municipality fee  
262 agreement pursuant to subdivision (5) of this subsection or subdivision  
263 (2) of subsection (f) of this section, the qualified data center, the owner  
264 of the property on which such qualified data center is located or such  
265 owner's successors or assigns shall be subject to the tax imposed under  
266 chapter 203 of the general statutes and shall be liable for payment of  
267 such taxes on the property that was exempted from such tax, from the  
268 date of noncompliance under subdivision (5) of this subsection or the  
269 date of termination under subdivision (2) of subsection (f) of this section,  
270 as applicable. Such liability shall attach to the property as a charge  
271 thereon. Such tax and any related penalty and interest shall be due,  
272 payable and collectible as other municipal taxes and subject to the same  
273 liens and processes of collection.

274 (f) (1) If the Commissioner of Economic and Community  
275 Development terminates an agreement entered into pursuant to  
276 subsection (c) of this section due to the commissioner's determination  
277 that the requirements of such agreement or of a qualified data center are  
278 not being met or have not been met, the commissioner shall notify the  
279 Commissioner of Revenue Services and the chief elected official of the  
280 municipality in which the applicable qualified data center is located of  
281 such termination.

282 (2) Any negotiated host municipality fee agreement entered into  
283 pursuant to subdivision (4) of subsection (e) of this section by such

284 qualified data center shall be terminated as of the date the agreement  
285 entered into pursuant to subsection (c) of this section is terminated. The  
286 municipality in which such qualified data center is located may use any  
287 remedy authorized by the general statutes to secure the interests of such  
288 municipality and recover the amount of any fee, tax, penalty and  
289 interest that become due and owing to such municipality due to such  
290 termination.

291 (3) The amount of any taxes under chapter 219 of the general statutes,  
292 penalty or interest that become due and owing pursuant to the  
293 termination by the Commissioner of Economic and Community  
294 Development of an agreement entered into pursuant to subsection (c) of  
295 this section may be collected by the Commissioner of Revenue Services  
296 under the provisions of section 12-35 of the general statutes. The  
297 warrant provided under section 12-35 of the general statutes shall be  
298 signed by the Commissioner of Revenue Services or the commissioner's  
299 authorized agent. The amount of any such tax, penalty or interest shall  
300 be a lien on the real estate of the qualified data center from the last day  
301 of the month next preceding the due date of such tax until such tax is  
302 paid. The Commissioner of Revenue Services may record such lien in  
303 the records of any municipality in which the real estate of such qualified  
304 data center is located but no such lien shall be enforceable against a bona  
305 fide purchaser or qualified encumbrancer of such real estate. When any  
306 tax with respect to which a lien has been recorded under the provisions  
307 of this subsection has been satisfied, the commissioner shall, upon  
308 request of any interested party, issue a certificate discharging such lien,  
309 which certificate shall be recorded in the same office in which the lien  
310 was recorded. Any action for the foreclosure of such lien shall be  
311 brought by the Attorney General in the name of the state in the superior  
312 court for the judicial district in which the real estate subject to such lien  
313 is located, or, if such property is located in two or more judicial districts,  
314 in the superior court for any one such judicial district, and the court may  
315 limit the time for redemption or order the sale of such real estate or make  
316 such other or further decree as it judges equitable.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>July 1, 2021</i>	New section
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